

STATE OF MICHIGAN



CANDICE S. MILLER, Secretary of State
MICHIGAN DEPARTMENT OF STATE
LANSING, MICHIGAN 48918

May 24, 2000

Mr. Thomas H. McTavish, C.P.A.
Auditor General
Victor Office Center, 6 th Floor
201, N. Washington Square
Lansing, MI 48913

Dear Mr. McTavish:

A handwritten signature in black ink, appearing to be "C. Miller", with a long horizontal stroke extending to the right.

In accordance with Section 505(6), Act 136 of 1999, the Department of State is hereby submitting the Michigan Transportation Fund Report.

Should you have any questions or need additional information, please feel free to call me at 241-4500.

Respectfully,

A handwritten signature in black ink, appearing to be "J. Pavona", with a long horizontal stroke extending to the right.

Joseph P. Pavona, Director
Bureau of Administrative Services

/meb

Enclosures

cc: Department of Management and Budget
Department of Transportation
House Appropriations Subcommittee on Transportation
Senate Appropriations Subcommittee on Transportation
House Fiscal Agency
Senate Fiscal Agency
Don Moore

Component:

Executive Direction

Amount of MTF Funds Received Through March 31, 2000	\$0
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Amount of MTF Funds Expended Through March 31, 2000	\$201,270.95
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The Executive Direction component finances the Department's Executive Staff. It provides program policy direction and administrative decision making for the Department. It formulates management planning and monitors the performance of the various constituent parts and programs to determine whether or not goals and objectives are being met.

Component:

Department Services

Amount of MTF Funds Received Through March 31, 2000 \$0

Amount of MTF Funds Expended Through March 31, 2000 \$5,524,746.35

The Department Services component provides central administrative services for the Department of State. The Department's financial, budgetary, data processing services, research and development of program initiatives, statistical support, human resources, and automotive regulation are contained in this component.

The Bureaus of Administrative Services and Resource Management are funded from this component. This component oversees budgetary functions for the Department. It provides central accounting functions for the Department including reconciliation and distribution of \$2.0 billion in revenue of which \$780 million is deposited into the Michigan Transportation Fund, and monitoring and reconciling payments for departmental expenditures. In addition, this component handles Department purchasing, warehouse services, mailing services and distribution of supplies to various units including the branch offices. The maintenance of personnel records and coordination of human resource activities with the Department of Civil Service, as well as various bargaining, units are also performed in this component. For the first six months of FY00, the Department mailed approximately 9.1 million envelopes containing approximately 10.9 million individual documents.

In accordance with the Michigan Vehicle Code, Act 300 P.A. 274 (MCL 257.1301), the Department's Bureau of Automotive Regulation licenses and regulates 6,200 vehicle dealers in Michigan. Among the dealer activities overseen by the Department are many that: 1) involve the collection of large amounts of revenue that are deposited into the Transportation Fund; 2) the protection of financial interests in the business community; and 3) protect Michigan consumers and assist them in resolving disputes and recovering financial losses.

Most of the Department of State's data processing activities are funded from this component. We maintain an extensive branch office system which has online inquiry/update capabilities with a mainframe computer at the Secondary Complex. Our branches collect approximately \$2 billion in revenue each year, including \$780 million in the Michigan Transportation Fund. Our major data files include 16.3 million motor vehicle title records and 11.1 million motor vehicle registration records. These files serve a variety of purposes and are used daily by a multitude of users, such as law enforcement personnel and other state agencies. The Department is constantly striving to develop new and improved ways of providing service to our customers through technology.

Component:

Regulatory Services

Amount of MTF Funds Received Through March 31, 2000 \$0

Amount of MTF Funds Expended Through March 31, 2000 \$777,184.51

The Regulatory Services Administration (RSA) includes units which perform a variety of functions for the Department of State. The primary business of the Department is to administer programs mandated by the Michigan Motor Vehicle Code, Act 300 (MCL 257.1--257.923). The RSA provides support for these mandated activities.

The Internal Audit Division performs ongoing, auditing of the collection of vehicle title and registration fees, sales and use taxes on vehicles, and all fees paid to the international registration plan.

The Enforcement Division is primarily involved in assisting the Department and local law enforcement agencies in the detection and prosecution of embezzlement of funds, as well as violations of the Michigan Motor Vehicle Code, such as false titling of vehicles.

The Bureau of Legal Services provides assistance to all Department units involved in the application and enforcement of the Vehicle Code. This includes the promulgation of rules, development of legislation, coordination of litigation, and responding to inquiries from the public as well as the Department.

Component:

Customer Delivery Services

Amount of MTF Funds Received Through March 31, 2000 \$0

Amount of MTF Funds Expended Through March 31, 2000 \$10,968,236.64

Description of Component Activities Including Number of Transactions Performed in Fiscal Year

The 179 branch offices funded in the Customer Delivery Services component process a variety of transactions which impact the Michigan Transportation Fund in varying degrees. Registration fees constitute the bulk of revenue collected by Department of State branch offices. In FY99, fees were collected on 10.8 million motor vehicle registrations and 3.3 million title transactions. These transactions generated \$780 million in Michigan Transportation Fund revenue.

Additional handling of the branch office transactions takes place in the Department's internal processing area where central title and registration computer records are maintained. Vehicle owners also have the option of renewing their registrations by mail, Internet, fax or phone, rather than through the branch office. Many special plates, for example the personalized plate, are issued from the internal processing area.

The registration of vehicles provides several benefits including the following:

The requirement for registration compels owners to comply with the provisions of the title law. Without the registration requirement, there would be no incentive to transfer a title and pay use tax.

Vehicle registration fees provide a source of revenue for road maintenance and repairs.

The requirement of displaying a license plate provides a mechanism for law enforcement agencies to readily identify vehicles with their corresponding ownership record.

The Department also provides recognition for specific organizations through the issuance of specialty plates. Additional fees are required to offset costs and provide additional revenue for the Michigan Transportation Fund.

Titles provide the following benefits:

Serve as a proof of ownership document, including vehicle liability source.

Provide a means for lending institutions to protect their security interest.

Serve as a transfer document to convey ownership.

Component:

Departmentwide

Amount of MTF Funds Received Through March 31, 2000 \$0

Amount of MTF Funds Expended Through March 31, 2000 \$1,402,152.93

The Departmentwide component includes the Department's appropriations for Private Rent and Worker's Compensation. The Department rents and leases space from private companies and individuals for most of its branch offices, and other office and warehouse facilities. The Worker's Compensation Act requires the Department to provide payment to individual employees injured at work.